

U.S. House of Representatives
Committee on Resources
Washington, DC 20515

September 22, 2006

The Honorable Maurice Hinchey
2431 Rayburn HOB
Washington, DC 20515

The Honorable Rosa DeLauro
2262 Rayburn HOB
Washington, DC 20515

The Honorable George Miller
2205 Rayburn HOB
Washington, DC 20515

The Honorable Carolyn B. Maloney
2331 Rayburn HOB
Washington, DC 20515

The Honorable Edward J. Markey
2108 Rayburn HOB
Washington, DC 20515

The Honorable James P. Moran
2239 Rayburn HOB
Washington, DC 20515

The Honorable Raul M. Grijalva
1440 Longworth HOB
Washington, DC 20515

Dear Representatives:

I write in response to your September 21st letter concerning royalty payments to the federal government for energy resources derived from federal property. Your correspondence is striking, as you know that my committee authored and passed legislation to collect the roughly \$13 billion in back royalty payments the oil companies owe the taxpayers. However, I realize it is an election year, and naked partisanship of this sort has a way of insinuating itself into the most serious of issues facing the nation.

Contrary to your assertions, the Resources Committee began reviewing the facts of this matter as soon as it came to light. *The New York Times* stipulated this in a February 15, 2006 story entitled "Congressman Starts Inquiry of Windfall to Oil Companies." As to your allegation that I have been silent on this matter, I refer you again to *The New York Times* in an article dated February 14, 2006 entitled "U.S. Royalty Plan to Give Windfall to Oil Companies." Because the historical facts seem to elude you, I have included my comments from that article, as follows:

I don't think there is a single member of Congress who thinks you should get royalty relief at \$70 a barrel" for oil, said Representative Richard W. Pombo, Republican of California and chairman of the House Resources Committee. "It was Congress's intent," Mr.

Pombo said in an interview on Friday, "that if oil was at \$10 a barrel, there should be royalty relief so companies could have some kind of incentive to invest capital. But at \$70 a barrel, don't expect royalty relief.

As a direct consequence of the Committee's request for and review of all relevant information, it quickly became clear that the Clinton Administration had either deliberately or mistakenly neglected to include price thresholds for oil and gas leases issued during 1998 and 1999.

It also became clear that the consequences of their actions might eventually cost the taxpayers as much as \$13 billion in uncollected royalties. The House Government Reform Committee has been investigating whether the Clinton Administration's Department of Interior did this via political appointees as some part of a criminal conspiracy or whether it was simply a matter of a mistake by career government employees. I am sure you share my interest in their success at finding the actual truth in this matter and making sure no Clinton Administration officials were involved in criminal behavior.

While the Government Reform Committee has been working to determine who is responsible for the loss of billions of dollars to the Treasury, I have felt it my responsibility as Chairman of the Resources Committee to ensure the recapture of those funds as well as ensuring that the law is changed so that this will never happen again, regardless of the motivations of those involved. The taxpayers of this nation deserve no less.

Accordingly, the Committee passed H.R. 4761 June 21st requiring that companies owning leases from the Clinton Administration without price thresholds either renegotiate their leases to include them or be subject to fees equivalent to full royalty payment. One week later, on June 29th, a bipartisan majority of the House passed my legislation. I have been working with the Senate to get this legislation signed into law ever since.

The Resources Committee saw the problem, acted quickly, and crafted and passed legislation that requires the restitution of royalty payments and corrects federal law to ensure that decisions regarding price thresholds are no longer a decision-making matter for the Department of Interior, but a matter of permanent statutory law. In fact, by solving this problem, we were also able to address the funding shortfalls associated with Gulf Coast hurricane restoration efforts and America's rural schools, as much of the \$13 billion recovered from oil companies was dedicated to fund these critical programs in my bill.

With a record like this, of which the Committee and the House of Representatives can be proud, I was especially taken aback by the ignorance of fact displayed in your letter, whether it was willful or not. Either way, this is especially disturbing given that three of you are Members of the Committee and were party to Committee discussions surrounding this legislation. And worse, not one of you supported the bill when it was

approved by the Committee and the House of Representatives. Pardon me if I am not impressed with your sincerity, as I provided you a solution to this problem, and you voted against it. Sometimes actions speak louder than words.

Accordingly, I remind each of you that you will have yet another opportunity to cast a vote on this critical issue when the House and Senate resolve the differences between their respective bills and ready a product to send to the President. Rest assured, my royalty recovery language will remain intact in any compromise that is reached, or there will be no compromise.

If you are truly interested in solving this problem for your constituents, I ask that you join me - and the 40 commonsense Democrats who voted for this bill - in seeking its speedy approval by the Senate. Opposing this solution may provide you a stage for election-year showmanship, but only at the expense of the American taxpayer and your own credibility.

Sincerely,



Richard W. Pombo
Chairman

Cc: Honorable John Boehner
Honorable Nancy Pelosi